



Dave Yost • Auditor of State

LIBERTY TOWNSHIP
VAN WERT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Liberty Township
Van Wert County
13833 St Rt 118
Van Wert, Ohio 45891

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Liberty Township, Van Wert County, (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Liberty Township, Van Wert County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 12, 2015

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$15,427	\$85,324		\$100,751
Licenses, Permits and Fees	120	15,015		15,135
Intergovernmental	14,135	117,245	\$33,333	164,713
Earnings on Investments	163	43		206
Miscellaneous	1,016	26,695		27,711
Total Cash Receipts	<u>30,861</u>	<u>244,322</u>	<u>33,333</u>	<u>308,516</u>
Cash Disbursements:				
Current:				
General Government	44,639			44,639
Public Safety	1,721	21,812		23,533
Public Works		197,165		197,165
Health	14,782	20,749		35,531
Capital Outlay		12,669	36,664	49,333
Total Cash Disbursements	<u>61,142</u>	<u>252,395</u>	<u>36,664</u>	<u>350,201</u>
Excess of Receipts Over (Under) Disbursements	<u>(30,281)</u>	<u>(8,073)</u>	<u>(3,331)</u>	<u>(41,685)</u>
Fund Cash Balances, January 1	<u>235,435</u>	<u>153,838</u>	<u>3,331</u>	<u>392,604</u>
Fund Cash Balances, December 31:				
Restricted		145,765		145,765
Assigned	205,154			205,154
Fund Cash Balances, December 31	<u>\$205,154</u>	<u>\$145,765</u>	<u>\$0</u>	<u>\$350,919</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
VAN WERT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments (trust funds only)	\$2
Total Operating Cash Receipts	<u>2</u>
Operating Cash Disbursements:	
Supplies and Materials	
Total Operating Cash Disbursements	<u> </u>
Operating Income (Loss)	<u>2</u>
Fund Cash Balances, January 1	<u>550</u>
Fund Cash Balances, December 31	<u><u>\$552</u></u>

The notes to the financial statements are an integral part of this statement.

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$15,276	\$85,851		\$101,127
Licenses, Permits and Fees	135	17,003		17,138
Intergovernmental	69,127	115,539		184,666
Earnings on Investments	147	34		181
Miscellaneous	1,621	12,469		14,090
Total Cash Receipts	<u>86,306</u>	<u>230,896</u>		<u>317,202</u>
Cash Disbursements:				
Current:				
General Government	46,142			46,142
Public Safety	1,579	21,263		22,842
Public Works		191,106		191,106
Health	13,886	17,951		31,837
Capital Outlay		28,330		28,330
Total Cash Disbursements	<u>61,607</u>	<u>258,650</u>		<u>320,257</u>
Excess of Receipts Over (Under) Disbursements	<u>24,699</u>	<u>(27,754)</u>		<u>(3,055)</u>
Fund Cash Balances, January 1	<u>210,736</u>	<u>181,592</u>	<u>\$3,331</u>	<u>395,659</u>
Fund Cash Balances, December 31:				
Restricted		153,838	3,331	157,169
Assigned	223,459			223,459
Unassigned (Deficit)	11,976			11,976
Fund Cash Balances, December 31	<u>\$235,435</u>	<u>\$153,838</u>	<u>\$3,331</u>	<u>\$392,604</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
VAN WERT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments (trust funds only)	
Total Operating Cash Receipts	
Operating Cash Disbursements:	
Supplies and Materials	
Total Operating Cash Disbursements	
Operating Income (Loss)	
Fund Cash Balances, January 1	<u>\$550</u>
Fund Cash Balances, December 31	<u><u>\$550</u></u>

The notes to the financial statements are an integral part of this statement.

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Liberty Township, Van Wert County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection. The Township contracts with the Village of Ohio City to provide fire services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 to the financial statements provides additional information for the risk pool membership.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Redevelopment Tax Equivalent Fund – This fund receives service payments in lieu of taxes to be used to construct infrastructure improvements.

OPWC Fund - The Township received a grant from the Ohio Public Works Commission to chip and seal Township roads.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund receives interest for the maintenance and flowers for graves.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measures. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

LIBERTY TOWNSHIP
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Non-spendable**

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2014	2013
Demand deposits	\$350,971	\$392,654
Certificates of deposit	500	500
Total deposits	\$351,471	\$393,154

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,800	\$30,861	\$3,061
Special Revenue	229,150	244,322	15,172
Capital Projects		33,333	33,333
Fiduciary		2	2
Total	\$256,950	\$308,518	\$51,568

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$251,259	\$61,142	\$190,117
Special Revenue	412,249	252,395	159,854
Capital Projects	3,331	36,664	(33,333)
Total	\$666,839	\$350,201	\$316,638

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,736	\$86,306	\$58,570
Special Revenue	224,875	230,896	6,021
Capital Projects	0	0	0
Total	\$252,611	\$317,202	\$64,591

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$249,862	\$61,607	\$188,255
Special Revenue	395,630	258,650	136,980
Capital Projects	3,331		3,331
Total	\$648,823	\$320,257	\$328,566

Contrary to Ohio law, appropriation authority exceeded estimated resources in the Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road & Bridge Fund by \$1,211, \$10,030, and \$35,861, respectively, for the year ended December 31, 2014 and for the General fund in the amount of \$11,390 for the year ended December 31, 2013. Also, contrary to Ohio law, actual expenditures exceeded appropriations for the Capital Projects fund by \$33,333 for the year ended December 31, 2014.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

6. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. RISK MANAGEMENT (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

B. Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014.

	2013	2014
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA	
2013	2014
\$5,803	\$6,460

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. RISK MANAGEMENT (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Liberty Township
Van Wert County
13833 St Rt 118
Van Wert, Ohio 45891

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Liberty Township, Van Wert County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated November 12, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 through 2014-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-003 and 2014-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 12, 2015

LIBERTY TOWNSHIP
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2014-001

Material Weakness

Posting of Receipts and Expenditures

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduced five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Township did not properly classify receipt and disbursement transactions. The following errors were noted on the Township's annual reports:

- Cemetery openings and closings and foundations receipts were posted as Charges for Services revenue in the Cemetery Fund instead of Licenses, Permits and Fees as required. The amounts of \$17,003 and \$15,015 were incorrectly posted in 2013 and 2014 respectively.
- In 2013, permissive motor vehicle license auto registration revenue and expenditures in the amounts of \$1,956 and \$2,053, respectively were incorrectly posted to the Motor Vehicle License Fund instead of the Permissive Motor Vehicle License Fund.
- In 2014, TIF Fund Capital Outlay expenditures in the amount of \$3,331 were properly recorded in the General Ledger but not recorded in the financial statements.
- During 2014, the Township received \$33,333 in on behalf of grant money that was paid directly to the vendor by the Ohio Public Works Commission. The corresponding revenues and expenditures were not posted to the Township's accounting records as Intergovernmental Revenue and Capital Outlay expenditures in the OPWC Fund.
- In 2014, the Ohio Public Employees Retirement System (OPERS) allocations did not follow the corresponding salary allocations. The amount of \$3,360 was posted to Gasoline Tax Fund - Public Works when it should have been posted as \$1,512 to the General Fund - General Government and \$1,848 to the Road & Bridge Fund - Public Works.
- In 2014, insurance allocations did not follow the corresponding salary allocations. The amount of \$3,957 was posted to the Gasoline Tax Fund - Public Works when it should have been posted as \$2,344 to the General Fund - General Government and \$1,613 to the Road & Bridge Fund - Public Works.

The following errors were noted as a result of the Township not properly implementing GASB Statement No 54:

- In 2013 and 2014, the entire General Fund balance was not classified per GASB Statement No. 54 requirements. The General Fund balance in 2013 of \$223,459 and \$11,976 were reclassified as assigned and unassigned, respectively, to properly reflect 2014 appropriations that exceeded 2014 estimated receipts per GASB 54 guidance. The General Fund balance in 2014 of \$205,154 was reclassified as assigned to properly reflect 2015 appropriations that exceeded 2015 estimated receipts per GASB 54 guidance.

**FINDING NUMBER 2014-001
(Continued)**

- In 2013 the Special Revenue Fund balances were not properly classified per GASB 54 requirements. The entire Special Revenue Fund balance of \$153,838 was reclassified as restricted.

Other less significant adjustments were also noted. The adjustments are reflected on the audited financial statements and have been posted to the Township records.

The 2014 and 2013 annual reports required numerous audit adjustments and reclassification for proper presentation. The Township fiscal officer should review the Township Handbook for proper posting and use due care in preparation of the annual report. The Township fiscal officer should also obtain assistance in determination of proper posting when necessary to provide accurate financial information.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts, The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Township's chart of accounts. The Township Fiscal Officer should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do so could result in the incorrect classification of funds and inaccurate financial statements.

FINDING NUMBER 2014-002

Material Weakness

Manual Accounting System and Bank Reconciliations

The Township has a manual accounting system that includes a cash journal, appropriation ledger and receipts journal. The accounting system is maintained to account for all activity of the Township. These records are used to prepare the annual financial statements. Bank reconciliations are prepared to provide evidence that financial activity has been agreed between the Township's accounting system and bank accounts. As part of this process, all reconciling items should be identified and included as part of the reconciliation.

The Township's 2013 and 2014 Appropriation Ledger and Receipts Journal accounts did not foot and the balances did not agree to the Cash Journal. The Annual Financial statements for both 2013 and 2014 were incomplete and did not agree to the manual ledgers. Also, a bank to book reconciliation had not been performed from October 2013 through December 31, 2014.

The failure to record all transactions accurately in the manual ledgers and the financial statements and to reconcile bank activity to the accounting system records increases the risk that errors and/or irregularities may not be detected in a timely manner.

The records were returned to the Township to correct the issues and complete bank reconciliations.

Procedures should be implemented to provide that all transactions are properly recorded in the manual ledgers in a timely manner. The manual ledgers should be footed and agreed to the cash journal on a regular basis. The Annual Financial statements should be compared to the manual ledgers for accuracy and the bank to book reconciliation should be performed timely each month and reviewed and approved by the Board of Trustees.

FINDING NUMBER 2014-003

Material Weakness and Noncompliance

Appropriations limited by estimated revenue

Ohio Rev. Code §5705.39 states that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

During 2014 and 2013, the following funds had appropriations in excess of estimated revenue:

Fund	Estimated Revenue	Appropriations	Variance
2014 - Motor Vehicle License Tax Fund	\$43,989	\$45,200	(\$1,211)
2014 -Gasoline Tax Fund	\$136,950	\$146,980	(\$10,030)
2014- Road & Bridge Fund	\$112,724	\$148,585	(\$35,861)
2013 –General Fund	\$238,472	\$249,862	(\$11,390)

Appropriations exceeding estimated revenue could result in money being spent without proper authorization and deficit spending.

Each fund should be appropriated based on amounts available per the Certificate of Available Resources, and the appropriations and available resources should be amended as necessary to avoid appropriating more than available. Procedures should be implemented to provide that the Township submit appropriate documents to the County Auditor to obtain certificates that the total appropriations from each fund do not exceed the estimated resources.

FINDING NUMBER 2014-004

Material Weakness and Noncompliance

Recording of On-Behalf Revenues & Expenditures

Sound accounting practices require money spent on behalf of the Township by other governments be posted to the Township's ledgers. Furthermore, **Ohio Rev. Code § 5705.42** deems the funds appropriated, eliminating the need for the Township to approve a formal appropriation for these monies; however, this section does require the Township to record the appropriation. Also, **Ohio Rev. Code § 5705.41(B)** states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

In 2014, the Township was the beneficiary of \$33,333 of Ohio Public Works Commission (OPWC) money paid directly to the vendor by OPWC on behalf of the Township. The Fiscal Officer did not record this activity and the corresponding appropriations. Since OPWC paid the invoices, the Township did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The financial statements were adjusted to reflect these amounts.

**FINDING NUMBER 2014-004
(Continued)**

Procedures should be implemented to provide that the Township record all benefits received from OPWC as a memo receipt and expenditure on the Township's records, request an amended certificate of estimated resources for these funds, and Council approve a corresponding appropriation for the expenditure. In addition, the Fiscal Officer should review Auditor of State Bulletin 2000-08.

Official's Response:

We did not receive a response from Officials to the findings reported above.

**LIBERTY TOWNSHIP
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 and 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Trustee Salary Allocation	Yes	
2012-002	Finding For Recovery (\$6,660) Insurance Reimbursement – repaid during the previous audit.	Yes	

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Dave Yost • Auditor of State

LIBERTY TOWNSHIP

VAN WERT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 12, 2016**